

## Rewald's CIA Link Established; FBI Takes Classified Documents

By Charles Memminger  
*Star-Bulletin Writer*

With acknowledgment by the U.S. Attorney's office yesterday that some "classified" documents were found in Bishop, Baldwin, Rewald, Dillingham & Wong's files, discussions have now changed from "whether" Ronald R. Rewald worked for the CIA to how extensive his involvement with the agency was.

U.S. Judge Martin Pence yesterday appointed an FBI agent with national security clearance to take custody of six packets of classified documents found by CIA and FBI agents who sifted through a mountain of records from the company.

Pence also ordered bankruptcy trustee Thomas Hayes to turn over any copies of a classified document "presently in his possession" and for Rewald's attorney, Brook Hart, to turn over any copies of classified material he might have.

Hayes said he would turn

over the document, which is a letter Rewald sent earlier this year to Jack Rardin, head of the CIA office here.

In the letter, Rewald asked that the CIA intervene in an Internal Revenue Service investigation of Rewald's tax liabilities, pointing out that the investigation would hurt Rewald's "cover," Hayes said.

HAYES SAID the letter was "something the CIA had obviously missed," when agents went through the files three weeks ago. Hayes found the letter after all of the records were returned to him. He gave the original letter to the CIA reviewing team on Aug. 24, he said, but kept a copy of it.

Hayes said he believes Rewald was merely a "bit player" for the CIA and that the company may have been used as a CIA "mail drop."

Rewald is under criminal investigation by the IRS, and a federal magistrate recently gave IRS investigators the power to

seize Rewald's financial records.

Hayes said Rewald's CIA connection has nothing to do with the fact that he apparently misused millions of dollars of investors' money.

"There is nothing in the letter that would indicate any link between his role as a CIA mail drop and any of his activities involving investors," Hayes said yesterday.

Police sources who have been investigating Rewald and, his bankrupt company also have said they suspect Rewald only had a minor role with the CIA, possibly passing information on to John Kindschl, the former head of the CIA office here who worked as one of Rewald's consultants after retiring.

BUT A FORMER consultant to Rewald, who asked not to be named because of possible pending litigation, said he believes Rewald had a more important role. He said classified informa-

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# Israelis Choosing Begin's Successor

By Allyn Fisher

TEL AVIV, Israel (AP) — Deputy Prime Minister David Levy and Foreign Minister Yitzhak Shamir each claimed to be assured of victory today in balloting to succeed Menachem Begin

either candidate. In the past, he has preferred Shamir, 68, who was a comrade of Begin's in the underground fight for a Jewish state.

The leadership race was set in motion Tuesday when Begin said he was



## Leftists Massacre 24

## Lebanese Christians

By Terry A. Anderson

BEIRUT, Lebanon (AP) — Leftist Druse militiamen massacred 24 Christians in a central Lebanese village in retaliation for an army sweep of Moslem Shiite and Druse militia strongholds in west Beirut, police said today.

Beirut. They said 24 people were killed. The Rightist Voice of Lebanon radio said 40 people were killed.

Voice of Lebanon, operated by the Christian Phalange Party, said the Druse militiamen stormed the homes of the village's few remaining Christians and "butchered about 40 elderly persons and children with knives, including a town's priest, Gergis El-Raj," said only one resident survived.

Police said the death toll was according to reports they received.

Beirut radio stations said the area around Gemayel's palace in suburban Baabda and the Dillon mansion at neighboring Yarze were shelled from Syrian-controlled mountaintops in central Lebanon but that neither was hit.

A SPOKESMAN at the Israeli army press center in Yarze, five miles east of Beirut, said there was no indication Dillon's mansion was a target.

State radio said the shelling started when U.S. presidential envoy Robert C. McFarlane and Dillon were in conference with Gemayel at the presidential palace.

Associated Press photographer Bill Foley said he saw six shells fall around the Lebanese Defense ministry compound in Yarze, which houses the army command. Foley said he could not tell if the main ministry building was hit.

### REHOUSE PRICES!

# CIA's reply on Rewald's secret data is hush-hush, too

By Walter Wright  
Washington Staff Writer

The Central Intelligence Agency told a federal judge yesterday why Ronald Rewald's company had classified documents in its files and why they should be kept secret.

But the CIA's affidavit to the judge was itself classified, and the information was conveyed behind closed doors, so little new light was shed on the CIA's connection with Rewald's defunct investment firm.

U. S. District Court Judge Martin Pence ordered that the CIA could review copies of the documents again so it can elaborate on its claim that they must remain sealed in the interest of "national security."

The legal moves hinted that Pence may not be persuaded yet that all of the documents must remain secret, and wants a more detailed argument from the CIA.

Rewald, head of the defunct Bishop, Baldwin, Rewald, Dillingham & Wong investment firm, claimed to have an association with the CIA, but investigators have discounted his story.

When Rewald was recovering from a suicide attempt just before his company shut its doors

Aug. 1, he reportedly told company president Sunlin "Sunny" Wong that "if the CIA did not get him off the hook, he would be making a full statement to the press."

Rewald, who was charged with theft Aug. 11 and remains in state prison in lieu of \$10 million bail, has yet to make his promised full statement.

Investors and creditors so far have filed claims against the company totaling more than \$5.6 million — about half of what investigators believed was invested with the company.

Until now, Rewald's most direct public connection with the CIA was the fact that one of his consultants, John "Jack" Kindschi, was formerly in charge of the agency's office in Honolulu.

There has been speculation that the agency may have considered using some of the company's several foreign offices as cover for its own agents — a practice not unknown in the intelligence business.

The other public reference to secret government activities relating to Rewald came from another consultant, retired Pan American pilot Edwin "Ned" Avary. Avary testified in a bankruptcy court hearing that he became "part of a team to try to assist the Air Force with what you might say was a sensitive personnel problem they had."

That apparently was a reference to a 1981 effort by Avary and others associated with Rewald to get retired Gen. Hunter Harris, former Air Force commander of the Pacific, treatment for a drinking problem.

Harris, who was contacted at a Texas hospital recently, denied he is an alcoholic but says others tried to brand him one.

Harris was a friend of Rewald's and at one time planned to become one of his consultants.

The current commander of the Air Force in the Pacific, Gen. Arnold Braswell, who also considered working for Rewald and who invested more than \$100,000 with the firm, has confirmed being involved in an effort to assist Harris.

That project could have given rise to classified documents if the government feared that Harris had become a security risk because of his knowledge of secret government information and because of his health problems.

Attorney Brook Hart, who was hired as Rewald's criminal defense counsel, asked Judge Pence Aug. 7 to seal company records because they might include secret CIA documents. Hart said he saw some papers, including a letter on CIA stationery, which might support claims that there was a company link to the CIA.

Pence obliged, and CIA personnel subsequently reviewed some of the papers.

The legal activity behind closed doors in Judge Pence's chambers yesterday shed little light on the link.

U.S. Attorney Daniel Bent said in a motion filed with the court that he was reporting on the results of the review of the records, asking for further protection of the records, and asking for copies of the records so he and the CIA could refine their plea that the records be kept secret.

Pence obliged on all counts, naming agent Robert L. Heafner, the security classification officer for the FBI here, to maintain and copy the records.

Bent said the classified documents have been placed in six envelopes in the court files, labeled A through F, and including some documents delivered to the court by Hart and some found by bankruptcy trustee Thomas Hayes.

Bent said he had a CIA officer prepare an affidavit "explaining the facts relating to Ronald Rewald which give rise to the existence of classified documents and why such documents are classified."

The U. S. attorney gave Pence a copy of that affidavit yesterday behind closed doors.



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chapman

Don Chapman is on vacation.

## Hawaii Report

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